
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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COMMISSION MOVES TO REMOVE OBSTACLES, EXPEDITE ENERGY SUPPLIES TO WESTERN MARKETS

The Federal Energy Regulatory Commission today announced a series of across-the-board regulatory actions designed to bring more economic and reliable energy supplies to the stressed California and Western energy markets.

Effective immediately, the Commission is streamlining regulatory procedures for wholesale electric power sales, expediting the certification of natural gas pipeline projects into California and the West, including the reallocation of staff resources to more quickly address pending pipeline applications, and urging all licensees to review their FERC-licensed hydroelectric projects in order to assess the potential for increased generating capacity.

California has been suffering through severe energy shortages for several months and these shortages are likely to continue, the Commission said. In addition, these shortages are impacting the entire western power market. Today's actions are a result of a broad look at all the Commission's regulatory responsibilities and addressing those areas where the Commission can immediately implement remedial actions while asking for public comment on additional actions the Commission may take.

The Commission acknowledges that its efforts alone will not solve the electricity crisis in California, but it said that taken together with regulatory action, including the siting of generation and transmission facilities, by other agencies, these actions will go a long way to help increase power supplies in the western markets.

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Electric Generation and Transmission

To increase the amount of available electric power, the Commission announced waiver of certain filing requirements in addition to encouraging demand side actions. Among the Commission's actions are:

Requiring the California ISO and transmission owners within the Western Systems Coordinating Council (WSCC) to prepare a list of grid enhancements that can be completed in the short term. (This includes Arizona, California, Idaho, Montana, Nevada, Oregon, Utah, Wyoming and parts of Nebraska, New Mexico and South Dakota).

Waiver of prior notice requirements for any self generators—on-site power generators located at business sites—that sell at wholesale to entities located in the 11-state WSCC region.

To encourage demand-side reduction, retail and wholesale loads that reduce their consumption would be allowed to resell their load reduction at wholesale. The Commission is granting blanket market-based rates for these sales.

Extending and broadening the temporary waivers, through December 31, 2001, for operating and efficiency standards for qualifying facilities in order to increase the availability of needed capacity. In addition, all additional output from cogeneration facilities would be sold through negotiated bilateral agreements.

In addition to increased generation, a key element for stability in the western markets is investment in transmission facilities. The Commission today seeks comments on a series of economic incentives aimed at ensuring upgrades to the western transmission grid. The incentives include an increased rate of return on equity for projects that significantly increase transmission on constrained routes and can be in service by June 1, 2001 or November 1, 2001. Increased rates of return will also be given to system upgrades that involve new transmission routes and can be in service by June 1, 2002, or November 1, 2002.

To encourage investment in transmission infrastructure, the Commission is also seeking comments on a proposed 10-year depreciation for projects that increase transmission capacity in the short term and a 15-year depreciation for upgrades involving new rights-of-way that can be in service by November 1, 2002.

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The Commission again noted that California's strained markets are a regional issue and encouraged the formation of a regional transmission organization (RTO) for the western markets. An RTO of sufficient scope and regional configuration would foster investment in new generation by providing open transmission access, allowing for additional trading opportunities for buyers and sellers, and spurring development of efficient, generating technologies, the Commission said.

Natural Gas Pipeline Capacity

While the Commission will move to expedite the certification process for additional natural gas pipeline capacity as well as licensing requirements for hydroelectric resources, the Commission emphasized that it will not compromise environmental regulations in taking these actions.

The Commission noted that it recently acted on three natural gas pipeline projects and is expediting action on several pending applications. The Commission is also prepared to reallocate staff resources to expedite any new pipeline proposals.

The Commission is seeking comment on additional action it might take to increase gas supplies to California. Among the proposals under consideration are:

Waiving the blanket certificate regulations to increase dollar limitations for facilities under automatic authorizations to \$10 million and for prior notice authorizations to \$30 million.

Waiving the blanket certificates for portable compressor facilities to enhance pipeline capacity.

Offering rate incentives to expedite construction of projects that will make additional capacity available this summer on constrained pipeline systems.

Hydroelectric Power

A critical component of the western states generating capacity is hydroelectric power—approximately 40 percent of power generation in the WSCC, including 24,600 megawatts of generating capacity, are under FERC license. Commission review of these licensed projects indicates that many hydro projects have the potential to more fully use

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their available water resources to increase generations. This may be done through additional capacity units, generator and/or turbine upgrading and other operational improvements. The Commission asks that all licensees immediately examine their projects and propose any efficiency modifications that may contribute to increased power supplies.

To expedite this review, Commission staff will hold a conference in the WSCC region with state and federal agencies, licensees, and others to discuss the impact of increased generation while continuing to provide environmental protection. Details on the proposed spring conference will be announced in the near future.

The Commission seeks comment on ways to increase operating flexibility at Commission-licensed projects while protecting environmental resources. Commenters should consider:

- Methods for federal/state agency involvement.
- Ways to handle and expedite Endangered Species Act consultation.
- Criteria for modifying licenses.
- Means for efficiency upgrades.

Oil Pipelines

In recent years, the Commission has simplified ratemaking procedures for oil pipelines. The Commission said it will continue to work with oil pipelines to develop other types of innovative proposals that would help to ensure adequate supplies of petroleum into the California market.

The Commission also seeks comment on other measures the Commission and others could take to help improve the supply and demand balance in California and the western markets. Comments should be submitted by March 30, 2001 and be addressed to the Office of the Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, DC 20426. Commenters are encouraged to submit concise filings and submit an original and 14 copies, referencing Docket No. EL01-47-001.

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